



**Health Services**  
LOS ANGELES COUNTY

September 5, 2006

Los Angeles County  
Board of Supervisors

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TO: Each Supervisor

FROM: Bruce A. Chernof, M.D.  
Director and Chief Medical Officer

David E. Janssen  
Chief Administrative Officer

SUBJECT: **NEGOTIATIONS WITH SHRINER'S HOSPITAL FOR CHILDREN**

Bruce A. Chernof, MD  
Director and Chief Medical Officer

John R. Cochran III  
Chief Deputy Director

William Loos, MD  
Acting Senior Medical Officer

On July 5, 2006, your Board instructed the Department of Health Services (DHS) and the Chief Administrative Office (CAO) to enter into negotiations with Shriner's Hospital for Children (Shriner's) regarding the establishment of a long-term land use agreement for the construction of a new Shriner's hospital on the campus of LAC+USC Medical Center.

DHS convened a meeting on July 18, 2006 with representatives from the CAO, County Counsel, and Shriner's – including members of their board and administrative leadership – to discuss this proposal and establish a process for moving forward. The Shriner's representatives presented their proposal for construction of their replacement hospital in greater detail and this discussion identified a number of key issues that need to be addressed. As a result, County Counsel and CAO staff prepared two agreements for Shriner's to review, a Lease Option Agreement and a Ground Lease and Development Agreement.

The County cannot enter into a long-term lease with Shriner's for their construction of a new hospital until an Environmental Impact Report has been approved for the project. The Lease Option Agreement would give Shriner's the assurance they need to move forward on the project without having the land secured by a long-term lease.

A Lease Option Agreement will give Shriner's the right to enter into a long-term lease, at their election, if the following conditions are met:

- Execution of a long-term lease
- Delivery of a guaranty of the local organization's obligations by the parent organization
- Execution of an Affiliation Agreement
- Receipt of entitlements to construct a new hospital
- Approval by the CAO of the construction plans and specifications
- A completed project Environmental Impact Report

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A Ground Lease and Development Agreement is the long-term contract that would provide for the construction and operation of the Shriner's hospital on County property. The two draft documents were sent to Shriner's on July 31<sup>st</sup> for their review and comment.

A second meeting was held on August 24, 2006 to discuss outstanding issues related to the project and to set forth a timetable for staff to develop mutually agreed upon contract terms. At that time Shriner's representatives indicated that the organization was not inclined to replace the parking facility that will be located on the preferred site for their hospital. It was agreed that the Shriner's' attorney would comment on the documents and that we would work with them on reviewing options regarding the replacement parking.

We recommend that staff continue with these negotiations and that we report back to your Board in late October with a project status.

Please let us know if you have any questions.

DEJ/BAC:mds  
607:006

c: County Counsel  
Executive Officer, Board of Supervisors